RV BUSINESS

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Micro Makers Hail Toyota's New Chassis

Toyota Motor Corp. U.S.A., Torrance, Calif., has unveiled its 1989 micro-minimotorhome cab-chassis, prompting an enthusiastic response from micro-mini builders, who predict it will revitalize micro sales.

The Toyota chassis, which was unveiled at a July gathering of some 30 RV manufacturers in Southern California, features a 137-inch wheelbase, a 6-cylinder 150-horsepower V-6 engine, factory dual-rear wheels, a 17.2-gallon fuel tank and a choice of four-speed automatic or manual transmission. The chassis also offers micro builders an increase in the gross vehicle weight rating (gvwr) from 5,500 pounds to 6,000 pounds.

Hailing the new chassis as a very "positive development" for the micro-mini builders, Don Ray, president of Mishawaka, Ind.-based Mini-Cruiser/R.B.R. Corp., said, "I think the new chassis will do a great deal to restore the confidence of the consumer. Besides having an increased payload capacity, the 6-cylinder engine is a terrific performer and much more efficient than the old 4-cylinder engine. Once the customer gives the unit a test-drive, I think he will be very favorably impressed with it."

While he is upbeat about the chances for a turnaround in the micro market for next year and expects to begin production on the new chassis in October, Ray added that he is also concerned that some micro builders may see the increased payload capacity as an opportunity to build even heavier units. "I am very concerned that some of the

continued on page 12

ENTICING INTERIORS: Decorators and dealers share their views on how to make an RV still more enticing. See page 38.

R&R Custom Coachworks Debuts 'A' With Chrysler-Warranted Parts

R&R Custom Coachworks Inc., South El Monte, Calif., has introduced a new Class A motorhome, the Sterling Motor Coach, built on a chassis using Chrysler Corp.-warranted components, including a Dodge 360-cid engine.

The 24-foot-long Sterling, which comes in only one exterior color and one floorplan, will be available for sale by both Dodge truck and RV dealers. The units will have a single $39,995 suggested retail price. Factory-sponsored financing is available through ITT Commercial Finance Corp. and Chrysler First, the financing arm of Detroit, Mich.-based Chrysler.

The chassis is assembled by Vironex Inc., Canyon Country, Calif. But because the Chrysler chassis-related components – including the engine, an A727 automatic transmission, Dodge D-350 front-end suspension, brake system and other components – are purchased through the company's Acustar division, Acustar will extend to consumers a 12-month/12,000-mile warranty covering defects in materials and workmanship under normal use and service.

Additionally, those vehicles with engines equipped to meet emissions standards will have emissions-control items covered for five years or 50,000 miles after the delivery to the

continued on page 10

7 GM Cuts Car Tow Ratings

7 Winnebago Debuts '89 Warrior, Spirit Lines

8 NHTSA Studies RV Impact Standard

8 Stable Aluminum Prices, Supply Expected

9 Tiffin Revives 'Open Road'

9 Spartan Expands Operations

9 Fleetwood Sets Spending Capital

10 Coachmen Chooses New Mktg. Head

10 Plant-Closing Law Concerns RV Makers

10 Weyerhaeuser Seeks Larger Market Share

11 '88 Models Do Poorly in NHTSA Tests

11 WDA Releases Video Series

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7

58

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NEWS AND TRENDS

Industry News ____ 7
RV People ____ 15
Quarterly Forecast ____ 16
DAB Perspective ____ 18

FEATURES

RV Heating & Cooling ____ 22
New developments in climate-control trends—including ducted, thermostat-controlled and "split" systems—compete for the high-dollar market. Plus a brief heating/cooling glossary.

Enticing Interiors ____ 38
With a few tasteful touches, an RV can look like home, and dealers can lure more prospective buyers.

RVDA Show Section ____ 58
Our guide to the Recreation Vehicle Dealers Association's 1988 Convention/Expo includes exhibitor listings and a calendar of events.

DEPARTMENTS

Dealer Concepts ____ 48
Marketing ____ 52
Guestview ____ 53
Show Calendar ____ 54
Profitmakers ____ 55
In Brief ____ 56
Classified Advertising ____ 60
Index to Advertisers ____ 60
Readers' Forum ____ 61
Commentary ____ 62

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BULLISH VIEW OF 1988-89 SHIPMENTS

MORTON J. MARCUS

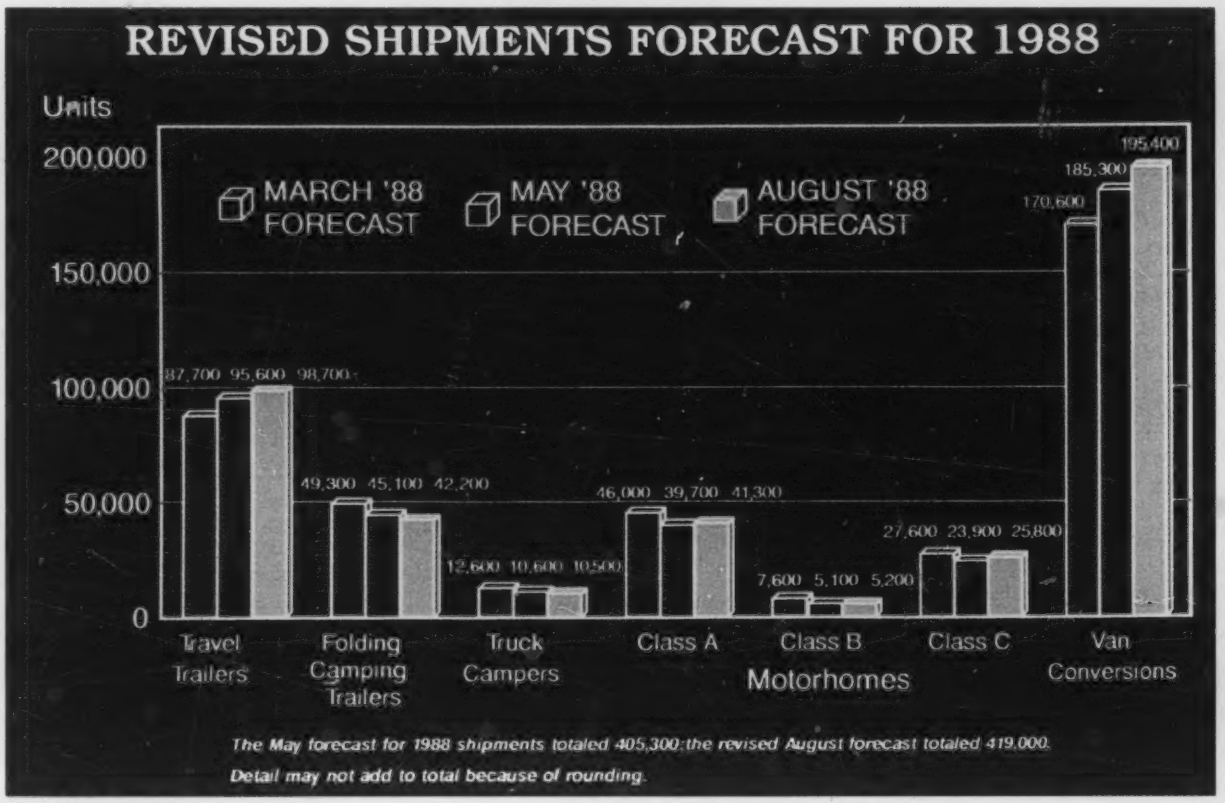

Figure 1

How long can this economic prosperity go on? The continuing strength of the U.S. economy is becoming an embarrassment. Economists, government officials and particularly journalists keep waiting for the economy to slow down, but the perverse beast just keeps moving along.

The latest forecast prepared for *RV Business* is even more bullish than its predecessor. This industry has consistently run ahead of our earlier forecasts for all of this year. Now our model is indicating sustained strength in RV shipments in the second half of the year and into next year.

The last forecast *(see July 1, 1988 issue of RVB)* was low by 4,800 units, or 4.6%; it called for 100,400 units in the second quarter, while shipments actually came in at 105,200. We were right on target with 37,400 towables, and only 1,600 units shy for motorhomes, but we fell 3,900 (7.8%) units short in our forecast of van-conversion shipments, which alone accounted for more than 80% of the forecast error.

The greater-than-predicted strength in RVs was due to a stronger-than-expected national economy, and there are no signs of economic weakening in this forecast.

The National Forecast

Growth in the economy, as measured by the real gross national product (GNP), will begin to slow after the third quarter of 1988, but no recession is seen in the next year. *(See Figure 2.)*

Consumers will not be the dominant force in avoiding recession. Rather, our expectation is that business investment will be the leading sector, as U.S. firms continue to modernize their plants and equipment in the face of foreign competition.

The inflation-adjusted value of residential construction is expected to decline. Exports, benefiting from the lower value of the dollar compared with recent years, will grow faster than imports during most of the next four quarters.

To achieve this predicted favorable result, however, will take very sensitive management of the money supply and interest rates. *(See Figure 3.)* We expect the rate of growth of the available national resources for spending and lending, the M-2 money supply, to slow from about 8% to 6%. This slowing, along with continued demand for business and consumer loans, should move the prime interest rate up from the 8% area to more than 11% a year from now. That strong action is seen as the best way of keeping inflation, as measured by the Consumer Price Index (CPI), from crossing the 5% mark, which many consider the start of the inflationary danger zone.

The U.S. dollar, which has been getting slightly stronger recently, will get still more of a boost from the rise in interest rates but

QUARTERLY FORECAST

1988 GROWTH RATES

(Quarterly percent changes at annual rates)

Real Values	1988:2 Actual	1988:3 Forecast	1988:4 Forecast	1989:1 Forecast	1989:2 Forecast
GNP	3.1	3.5	3.1	3.0	2.6
Consumer Spending	2.3	2.8	2.6	2.6	2.5
Business Investment	14.0	11.7	12.2	13.0	7.8
Residential Investment	2.8	–2.9	–2.5	–3.7	–3.3
Exports	8.0	9.2	7.7	6.6	5.6
Imports	–6.2	5.2	6.3	6.2	6.2

Figure 2

KEY FACTORS IN THE YEAR AHEAD

	1988:2	1988:3	1988:4	1989:1	1989:2
Prime Interest Rate (%)	8.8	9.8	10.4	10.9	11.4
Value of the Dollar (1973 = 100)	90.4	90.5	90.6	90.3	90.1
Unemployment Rate (%)	5.4	5.1	4.8	4.6	4.4
Percent Change at Annual Rates:					
Money Supply (M-2)*	8.1	7.4	5.8	6.0	6.0
Real Disposable Personal Income	–0.4	2.0	3.0	3.2	3.3
Consumer Price Index	4.8	4.2	4.3	4.2	4.1
Food & Beverage Prices	5.4	6.5	6.4	6.3	5.8
Motor-Fuel Prices	6.7	5.9	6.0	6.2	6.2

*M-2 consists of the nation's basic money supply of currency, plus demand deposits, plus savings accounts at commercial banks.

Figure 3

1988 RV SHIPMENTS

(Quarterly data are seasonally adjusted)

	1988:1 Actual	1988:2 Actual	1988:3 Forecast	1988:4 Forecast	Total
Towables:					
Travel Trailers	24,000	24,700	24,900	25,100	98,700
Folding Camping Trailers	11,000	10,100	10,500	10,600	42,200
Truck Campers	2,600	2,600	2,600	2,700	10,500
Motorhomes:					
Class A	9,500	10,700	10,700	10,500	41,300
Class B	1,200	1,300	1,300	1,300	5,200
Class C	5,800	6,600	6,700	6,700	25,800
Van Conversions	45,900	49,900	50,400	50,800	195,400
All RVs	100,000	105,200	106,600	107,200	419,000

Note: Numbers may not add to total due to rounding.

Figure 5

should resume its downward movement in 1989. No dramatic movements in the dollar are expected, since all major nations will strive to keep currencies in line.

The CPI should stay below 5% for the next four quarters, despite the drought, the settlement of the Iran-Iraq War and other events. As seen in Figure 3, food and beverage prices are forecast to rise faster than prices in general but will hardly be out of control. The rise in motor-fuel prices, which is faster than the general rise in prices, is a negative force working on the RV industry, but it is offset by the steady growth of real disposable income.

This last factor is the most important influence on RV shipments. Thus, higher inflation or an increase in personal income taxes would lower real disposable personal income and send RV shipments backward. Interest rates are of consequence, too, and the forecast's rising rates certainly indicate a retarding force on the growth of the RV industry. But interest rates will still not create enough drag to start a tailspin.

There are areas of concern for 1989. Auto sales will be flat, and housing starts are expected to be down. *(See Figure 4.)* Many will probably say that, with the federal budget deficit declining, the economy needs stimulating. But, with unit labor costs rising, the Federal Reserve is likely to hold fast to its restrictive policy rather than allow inflation to take off. However, it will be a difficult feat to keep inflation from taking off while avoiding a recession simultaneously.

The RV Forecast

Our current forecast, prepared in mid-August, is up from our two previous forecasts. *(See Figure 1.)* Yet that revision is not uniform.

We have lowered our expectations for folding camping trailers and truck campers. Based on the strength of the second quarter, we also have raised our forecast upward for '88 motorhome shipments – but not as high as the first forecast in March.

However, the biggest change in the latest forecast is the strong upward revision in the expectations for van-conversion shipments. However, this sector may not achieve the lofty levels that the model indicates, unless employment prospects continue strong.

The biggest advances in the industry for 1988 are behind us. *(See Figure 5.)* Total shipments moved ahead by 5,200 units between the first and second quarters. The anticipated growth thereafter is only 1,400 and 600 units for the third and fourth quarters, respectively.

In the last quarter of the year, for example, towables will add only 200 units, motorhomes will drop by 200 units, and van conversions will add 400 units. The higher interest rates forecast for the national economy yield this slowing without stopping growth.

ANNUAL TRENDS

	1987	1988	1989
Unit Auto Sales (millions)	10.3	10.7	10.7
Housing Starts (millions)	1.6	1.4	1.1
Federal Budget Deficit (billion $)	–157.8	–124.3	–105.6
Percent Change in Compensation per Manhours	4.6	4.4	–0.3
Productivity	1.0	0.9	–0.3
Unit Labor Costs	3.6	3.5	4.6

Figure 4

ANNUAL RV SHIPMENTS

	1987 Actual	1988 Forecast	1989 Forecast
Towables	145,600	151,400	155,700
Motorhomes	74,900	72,300	70,800
Van Conversions	182,500	195,400	206,000
Total RVs	403,000	419,000	432,500

Note: Numbers may not add to total due to rounding.

Figure 6

An Early View of 1989

Our model gives indications for continued but slower growth in 1989 for the RV industry. *(See Figure 6.)* In 1987, the industry advanced by nearly 11%. This year's growth is expected to be 4%; next year offers just a little more than 3% growth.

Clearly, the new Congress and the new administration will have a major challenge to put new programs and policies into place without disrupting the economic expansion. Both parties, however, are committed to new directions that imply new expenditures, and they can achieve their goals only with sustained prosperity. Meanwhile, continuing concerns about inflation, the value of the dollar and the banking system's stability will cause the Federal Reserve Board to maintain its policy of slow-to-moderate growth in the money supply.

In other words, we expect 1989 to be sheer delight for economic observers – as long as we can tolerate the excitement. Δ

This forecast is specifically produced for RV Business *by the Center for Econometric Model Research at Indiana University. The national forecast was prepared under the direction of Professor R. Jeffery Green, with the RV forecast developed by Lee A. Craig. The text and interpretation is the responsibility of Morton J. Marcus, director of the Indiana Business Research Center in the Indiana University School of Business.*

JULY '88 IS CARBON COPY OF LAST JULY

GAYLORD MAXWELL

For RVB's Dealer Advisory Board (DAB), July 1988 was, in some respects, a carbon copy of the previous July. Unit sales were about the same for most types; some were up by a few units, and some were down.

The sales volume for the month was substantially higher than for July 1987 and consistent with the year-to-date increase.

In terms of profits, the picture was generally good. All types received predominantly good marks. Used units continued to bring good grosses. Marks for the service-and-accessory business were divided about equally between good and excellent.

Inventories were generally in good shape – with the exception that more than one-third of the board members said their new-unit supply was low. Of course, that was great with the new models already out by midsummer. Also, exactly half of the DAB members said that their used supply was low.

Year-to-date, the picture was about the same. In fact, 1988 and 1987 were only a few units apart in both new and used categories, while the total sales volume was up 10% for 1988.

Although the market was generally good, July was not one of the better months for many individual dealers. In fact, 70% of the DAB members were down in sales volume from the previous July – the exact opposite of where they were in July 1987. However, year-to-date, most of them were still ahead of 1987, which was an exceptionally good year.

Motorhomes

Both new and used motorhomes fell a few units short of matching last July's figures. Members of the DAB who were down in new-unit sales slightly exceeded the number who were up. Even the large-volume dealers had mixed results. Year-to-date, '88 was still well ahead of '87.

Used units outsold new in July, a fact consistent with what appears to be a trend. Certainly when one considers the number of private-party sales of used units, it is obvious that this aspect of the motorhome business is becoming more significant.

Profits were generally rated as good, with a few fair and excellent ratings.

Travel Trailers

New units managed to stay in the plus column for the month but barely. Year-to-date, sales were running about the same as last year. Used units slipped a little for the month but were still running ahead of last year. Trailer dealers on the DAB were almost evenly divided between those who were up and those who were down.

Profits were generally rated to be good, but there were a few poor ratings that were counterbalanced by an equal number of excellents. It is clear that business is somewhat spotty.

Truck Campers

For the three DAB members who reported new-camper sales in July, slide-ins were down considerably in terms of percentages, but not so dramatically in terms of units. Used sales showed the opposite.

Profits were rated excellent by one dealer and good by the other two.

Folding Camping Trailers

Fold-downs made somewhat of a comeback in July. A one-unit jump isn't much, but at least it isn't a minus figure. DAB members who stock this type were about evenly divided among those who were up and those who were down in new units compared with last July.

Profits were quite varied, with a range from poor to good. It was "blow-out" time for some dealers who took small grosses just to get units off flooring.

Fifth-Wheels

Consistent with the pattern for this year, fivers were up again for the month. The 25% increase over last July in new-unit sales was identical with the increase for the year-to-date. There's no question about it, this type is "on a roll" – a modest roll, perhaps, but definitely a roll. Actually, very few dealers on the DAB had impressive unit sales of fifth-wheels (most sell from one to three per month), but they were satisfied with results.

Profits were rated generally good, with a couple of marks in each of the other columns. Δ

	NEW UNITS						USED UNITS					
	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
MOTORHOMES	154	158	– 3	1112	1032	+ 8	175	180	– 3	1005	1052	– 4
TRUCK CAMPERS	17	22	–23	133	157	–15	8	6	+33	72	79	– 9
FIFTH-WHEELS	40	32	+25	241	193	+25	18	17	+ 6	164	121	+36

	FOR MONTH			YEAR-TO-DATE		
	JULY 1988	JULY 1987	% CHANGE	1988	1987	% CHANGE
TOTAL UNIT SALES	858	858	same	5,495	5,455	+ 1
USED-UNIT SALES	385	389	–1	2,356	2,295	+ 3

The "DAB Perspective" is a compilation of data provided by *RV Business'* Dealer Advisory Board (DAB), a group comprised of 24 dealers representing a cross section of the U.S. dealer body.

Gaylord Maxwell, chairman; **Dave Altman,** Baldwin Park, Calif.; **Robert Azevedo,** Sunnyvale, Calif.; **Jack Cole,** Pacoima, Calif.; **Dick Dasson,** Victor, N.Y.; **Bill De Groot,** Junction City, Ore.; **Crosby Forrest,** Newport News, Va.; **Don Gamel,** Fresno, Calif.; **Jerry Greer,** Columbus, Ohio; **Jerry Harrison,** Waco, Texas; **Dottie Helgeson,** Seattle, Wash.; **Newton Kindlund,** Orlando, Fla.; **Ozzie Lenhard,** Sayville, N.Y.; **Larry McClain,** Oklahoma City, Okla.; **Annette Autry-Miller,** Fayetteville, N.C.; **Jack Morse,** Warwick, R.I.; **Mike Posy,** Albuquerque, N.M.; **Edward Peterson,** Lafayette, Ind.; **William Pifer,** Warren, Mich.; **Tom Schaeffer,** Shoemakersville, Pa.; **Hal Shipp,** Chattanooga, Tenn.; **Jack Sisemore,** Amarillo, Texas; **Bill Thomas,** Bridgeichton, Mo.; **Randy Thompson,** Crystal Lake, Ill.; **Larry Washburn,** Lakewood, Colo.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.